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Curbing Fraud in Film Tax Credit Programs

By [SUE LINCOLN](#) (/PEOPLE/SUE-LINCOLN)



Louisiana's budget problems have many criticizing the tax incentives for the entertainment industry, which cost the state about \$250-million last year. A legislative task force has been looking into ways to curb fraud in the film program. They met last week, to discuss the thrust of bills they may file in the upcoming legislative session.



"These are various common-sense measures that we think can be taken to perhaps make it a little bit less easy to steal from these programs," Louisiana Inspector General Stephen Street said, as he prepared to give the panel suggestions based on his experiences investigating problems with the programs.

Street's job includes digging into questionable claims for the credits, which has resulted in several prosecutions for fraud. He says one of the biggest opportunities for cooking the books is allowing credit for "related party transactions". That's money moved around within the total project's budget, such as transfers of funds between investors, or the parent company paying its subsidiaries.

Street says most times the money transfers are for legitimate purposes, but, "What we're trying to avoid is the situation where folks just move money back and forth." It's never actually spent.

"I liken it to taking money out of your right pocket, put it in your left pocket, and then calling that an 'expense' in order to qualify for a tax credit," Street explains.

Chris Stelly, who oversees the entertainment industry incentives for Louisiana's

Department of Economic Development, agrees these transactions are problematic.

“We would prefer complete disqualification of related party transactions, so that fraudulent activities cannot occur,” Stelly told the task force.

But Sherry McConnell, the DED’s former film guru—now a private consultant for the Louisiana movie industry—says you can’t totally eliminate the practice.

“You know, related party transactions are how this industry *does* business,” McConnell admonished. “And we don’t want to curtail that activity.”

A bill to cap related party transactions will be filed later this week. It remains to be seen whether lawmakers will limit the practice. For several years now *they* have been using money-moving schemes for balancing the state budget.

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Lonzo • a day ago

If, as Sherry McConnell says, internal transactions are "...how the industry *does* business...", if it is the basic functioning of that business, then why the heck does it need a TAX CREDIT from us, the Louisiana tax payers? They do it all the time, all over the place. Sounds like if we stop giving them a tax credit, they'll do it anyway. Bogus argument.

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